

Taiwan Business Indicators in November 2004

Press Release

Council for Economic Planning and Development

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In November 2004, Taiwan's business indicators displayed a continued softening of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading and the coincident index decreased by 1.5% and 0.3%, respectively. The monitoring indicators flashed "green" for the second successive month, signaling the economy's shift to a more sustainable pace of expansion after the ten-month period in which they continuously flashed either "yellow-red" or "red". With the global economy and world trade remaining favorable, and both domestic and foreign demand buoyant, the outlook for the economy remains bright.

1. **Leading Indicators.** The leading index stood at 105.2 (1996=100), down 1.5% from October, based on revised data. All but one of the seven components of the index decreased from the preceding month, which were money supply M1B*, stock prices*, customs-cleared exports*, manufacturers' new orders*, wholesale price change from six months earlier, and average work hours in the manufacturing sector. The component that increased was floor area of building construction permits.

(Note: components marked with an asterisk indicate year-on-year change rate)

2. **Coincident Indicators.** The coincident index stood at 109.8 (1996=100), based on revised data, slipping 0.3% from October. Among the six indicators that make up the coincident index, four that made negative contribution were industrial production*, manufacturing production*, average monthly wage of manufacturing workers* and manufacturing sales. The component that made positive contribution was bank clearings*. Domestic freight was not included due to data availability.

3. **The Monitoring Indicators.** The total score of the monitoring indicators remained at 29 points in November. Among the nine indicators, three showed changes in their individual light signals, one with a gain and two with losses. The improvement was recorded in bank clearings and remittances, which edged up two points, while M1B money supply and manufacturing inventory each fell one point. The light signals for direct and indirect finance, stock prices, manufacturing new orders, industrial production, customs-cleared exports, and non-agricultural employment remained unchanged.
4. **Business Expectations.** A survey of manufacturers for November indicated that 12% of manufacturing businesses expected the economy to be better over the next three months, declining from 13% a month earlier, while another 21% held a negative view, rising from 15% last month; 67% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 72% of the October survey.

Leading Indicators

Seasonally adjusted

	2004						
	May	June	July	Aug	Sep	Oct	Nov
Composite index(1996=100)	109.9	108.3	108.5	107.7	108.0	106.8 _r	105.2 _p
Change from prior month (%)	-0.8	-1.5	0.2	-0.7	0.3	-1.1 _r	-1.5 _p
Indicators :							
Manufacturing new orders (yoy %)	14.1	16.0	20.4	20.5	24.1	21.4	20.6 _p
Manufacturing work hours (monthly average)	189.7	189.8	188.5	188.5	189.2	190.7 _r	190.4 _p
Customs-cleared exports (yoy %)	24.0	23.8	25.4	17.0	21.1 _r	15.3	10.4 _p
Money supply M1B (yoy %)	23.6	20.2	18.9	18.0	16.6	14.4	13.8
Wholesale price (% change from 6 month earlier)	5.7	5.4	6.2	6.8	6.2	6.2 _r	3.4 _p
Stock price (yoy %)	36.9	18.2	5.0	0.9	3.3	-0.9	-1.1
Floor area of building construction permits (1000 m ²)	3,407	3,278	3,776	3,598	3,686	3,521	3,537 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2004						
	May	June	July	Aug	Sep	Oct	
Composite index(1996=100)	113.1	113.1	112.2	111.6	110.9	110.1 _r	109.8 _p
Change from prior month (%)	1.7	0.0	-0.8	-0.5	-0.6	-0.7 _r	-0.3 _p
Indicators :							
Industrial production (yoy %)	17.7	15.1	9.5	8.8	7.1	5.4 _r	4.2 _p
Manufacturing production (yoy %)	18.7	16.4	10.6	9.9	8.1	5.6 _r	2.4 _p
Manufacturing sales (NT\$ billion)	757.2	763.4	779.1	802.5	802.4	806.8 _r	797.7 _p
Manufacturing average monthly wage (yoy %)	0.4	3.2	4.4	-0.1	2.6	2.6 _r	1.8 _p
Bank clearings (yoy %)	3.6	-5.0	-11.5	-6.5	-15.6	-17.6	-4.5
Domestic freight (million t-km)	1,732	1,772	1,817	1,798	-	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2003		2004											
		11	12	1	2	3	4	5	6	7	8	9	10	11	
Total Scores															
		30	34	35	34	36	37	39	36	35	33	32	29	29	
Financial Sector	Monetary Aggregates M1B, yoy%														13.8
	Direct and Indirect Finance, yoy%														9.0 _p
	Bank Clearings and Remittance, yoy%														4.2
	Stock Price Index, 1966=100, yoy%														-1.1
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%														8.0 _p
	Exports, 2001\$, yoy%														6.1 _p
	Industrial Production Index, 1996=100, yoy%														4.2 _p
	Manufacturing Inventory-to-Sales ratio, %														53.5 _p
	Nonagricultural Employment, yoy%														3.2

Overheating
 Transition in need of watching
 Steadily moving forward
 Transition in need of watching
 Recession

Note: All data, except stock price index, have been seasonally adjusted.

Business Expectations

		Business conditions 3 months later (% of manufacturing firms surveyed)				Capacity utilization (%)	Profit rate (%)	
		Better (1)	Same (2)	Worse (3)	Net change (1)-(3)			
2003	May	16	69	15	1	78.1	4.5	
	Jun	17	75	8	9	77.5	4.5	
	Jul	17	70	13	4	79.2	4.9	
	Aug	22	65	13	9	78.7	4.8	
	Sep	22	65	13	9	78.7	4.8	
	Oct	18	69	13	5	80.2	5.0	
	Nov	20	65	15	5	79.5	4.9	
	Dec	24	66	10	14	80.4	5.1	
	2004	Jan	34	59	7	27	77.1	4.7
		Feb	32	58	10	22	79.3	5.2 _r
Mar		19	70	11	8	81.0	5.4 _r	
Apr		13	74	13	0	80.5	5.2 _r	
May		14	69	17	-3	80.3	5.2 _r	
Jun		12	73	15	-3	80.3	5.0	
Jul		12	71	17	-5	80.7	5.1	
Aug		16	71	13	3	80.5	5.0	
Sep		14	68	18	-4	80.4	5.0	
Oct _r		13	72	15	-2	80.4	5.0	
Nov _p	12	67	21	-10	80.2	4.9		

p: Preliminary. r: Revised.

~~ The next release is scheduled for January 27, 2005 ~~